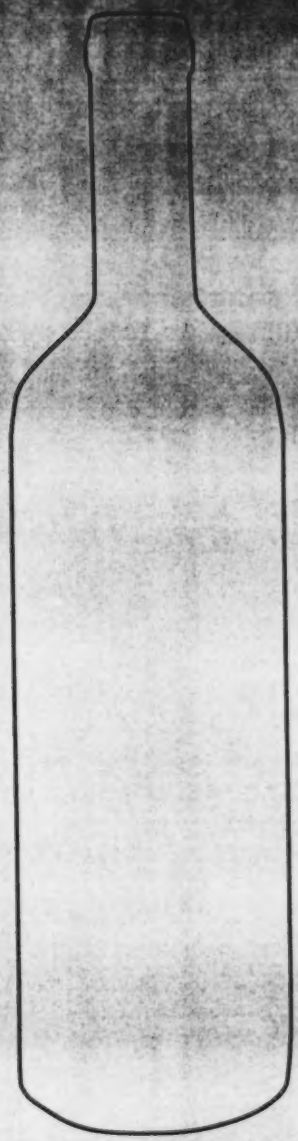
NSLC

5-YEAR STRATEGIC PLAN 2005-2010



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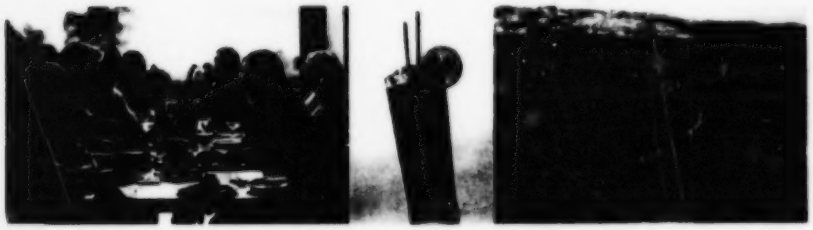

INTRODUCTION

Since 1930 the NSLC has been dedicated to the delivery of beer, wine and spirits to the people of Nova Scotia. Throughout our history we have witnessed tremendous growth and change. The NSLC has grown from an organization established to control the access to beverage alcohol, then to a distributor of beverage alcohol, and now as we move forward, to a retailer of beverage alcohol.

The NSLC is governed by the Liquor Control Act (LCA) of Nova Scotia. This act sets out the responsibilities of the NSLC to our shareholder- the people of Nova Scotia. The most fundamental element of the NSLC's role derived from the LCA is that the NSLC is solely responsible for the receipt of all beverage alcohol available throughout Nova Scotia. In order to ensure the safe and responsible consumption of alcohol any products sold through NSLC stores, Agency stores, Private Wine and Specialty Stores (PWSS) and licensees must be received through the NSLC. Through this mandate, the Government ensures that the product is available to legal age Nova Scotians exclusively. The legislation also describes four other key responsibilities of the Corporation:

- Attainment of acceptable levels of customer service
- Promotion of social objectives regarding responsible drinking
- Promotion of economic objectives regarding the beverage alcohol industry in Nova Scotia
- Attainment of suitable financial revenue for the Government of Nova Scotia.

This five year plan sets out the business objectives and strategies that the NSLC will follow to deliver against its legislated responsibilities as a Crown Corporation.

Today

the NSLC competes in a retail marketplace that is rapidly changing due to increasingly sophisticated and demanding customer needs. The NSLC retails products that are a discretionary purchase for customers. As such the NSLC is competing directly for a share of the customer's discretionary income. In this changing environment technology, convenience, service and product selection are key to modern retailing success.

The NSLC's future success depends on its ability to respond and anticipate these realities and provide shoppers with a retailing experience that meets and exceeds their rapidly evolving needs.

The new NSLC will be focused on the needs, wants and expectations of our customer segments forming the core principles around which the entire corporation evolves. There exists an opportunity to drive customer purchasing to increase customer satisfaction and maximize returns.

With these realities in mind the NSLC needs to transform its business and retail shopping experience from a place where customers simply go to buy a product into a shopping experience that encourages customers to browse and shop. The primary focus of this five year strategic plan is to guide the organization in this transformation:

From a place to buy something into a place to shop.

This is the theme of this strategic plan.

The challenge for the future is clear – by better serving our customers' needs the NSLC will create increased financial returns for our customer and shareholder.

Process & Objectives of the 5-Year Strategic Plan

Strategic planning helps organizations reach and surpass customer, business and social responsibility goals. A solid five year planning process maps out long-term strategies for profit growth and delivering on an organization's customer promise. It provides direction to the management team and every employee on where to focus and in what context to make decisions in moving the business forward and how they might impact the financial returns to its shareholders.

> *Retail is a rapidly changing environment. While the NSLC is a monopoly in the sale of beverage alcohol, it competes with every other retailer selling discretionary purchase products that are vying for a share of the consumers' disposable income.*

The NSLC's strategic plan will be reviewed annually by the Corporation and updated to reflect the speed of change that is happening in retail and the evolving demands of NSLC customers.

In developing the 5 Year Strategic Plan every aspect of the NSLC's business was examined to establish where the business is today. The Executive and Board then spent considerable time deciding where the business should be in five years in all aspects of what we do. Once complete the planning process accessed numerous sources from demographics to economics, financial projections and modeling to future retail and supply chain trends to determine the competitive retail environment tools and best practices available to the NSLC to move the business towards the goals set out for the next five years. Extensive customer research was also conducted and will play a critical factor for the organization on an ongoing basis to ensure that the NSLC is meeting and exceeding our customers' expectations. This ongoing commitment to customer research will also enable the organization to discover shifts in customer attitudes before they impact NSLC sales.

Supporting the 5 Year Strategic Plan adding greater definition to how we will achieve our strategies and goals will be four other business planning tools.

- The NSLC's Corporate Marketing Plan will set out further detail for the organization in how we will meet and exceed the customer promise and ensure we have strategies to create the customer shopping experience needed for financial success.

- The multi-year Divisional Business Plans for the organization will outline the detailed initiatives and financial goals to be achieved in that fiscal year based on the Strategic Plan.

- Each division within the NSLC also has its annual plan that guides the division in it's responsibilities to make the Annual Business Plan a reality.

- The NSLC will employ a Balance Scorecard approach to measuring success with the Annual Business Plan and the Strategic Plan.

Process & Objectives of the 5-Year Strategic Plan

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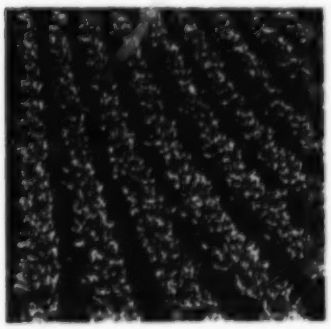
Primary Objectives of the 5-Year Strategic Plan

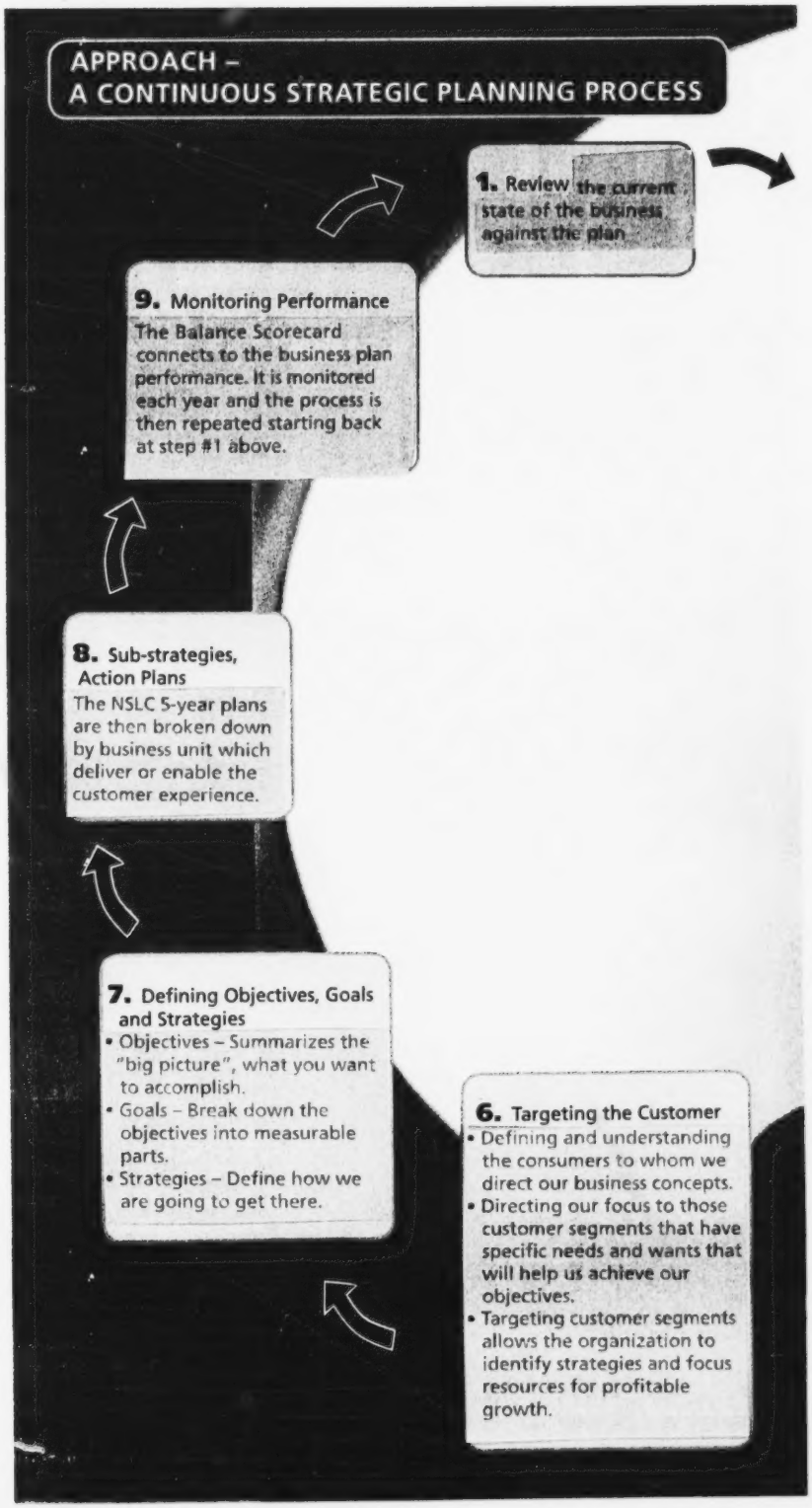
The primary objectives of this five year plan are:

1. To identify the key strategic priorities for the NSLC over the next five years.
2. To provide the context for development of the NSLC's annual business plans over the next five years.
3. To assist the NSLC management team to focus on the most strategic opportunities for the organization.
4. To be used as a vehicle to communicate strategic direction to all NSLC employees.

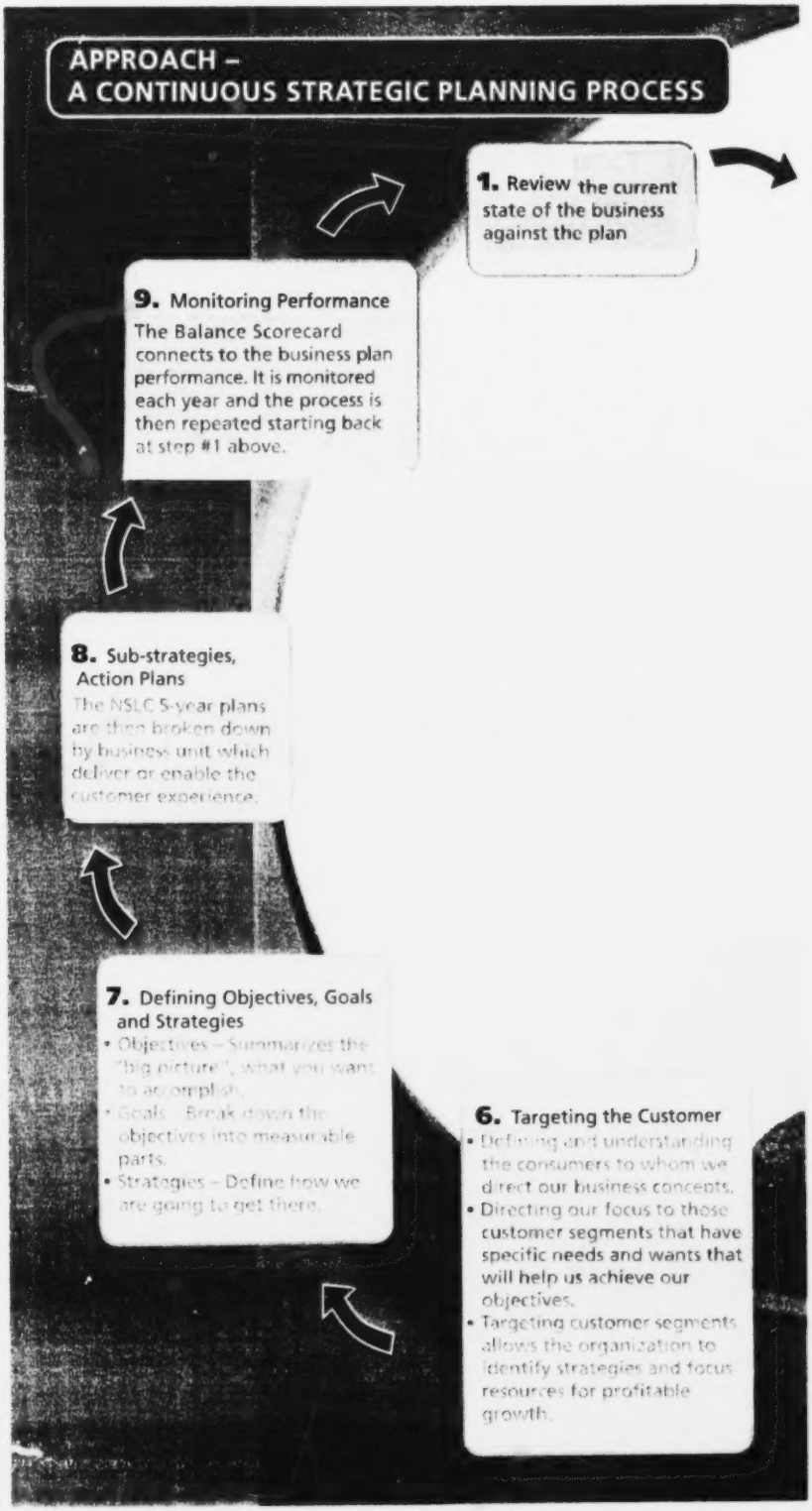
Evolutionary Process

This 5-year strategic plan was developed in early 2005/06 by the NSLC executive in collaboration with the Board of Directors. Input was solicited from all divisions and external research was conducted to ensure the plan was aggressive, yet achievable, and based on a foundation of innovation and best practices. The following approach will be revisited each year to ensure the plan is continually revisited to meet the organization's evolving goals and objectives.




APPROACH –
A CONTINUOUS STRATEGIC PLANNING PROCESS
1. Review the current state of the business against the plan
9. Monitoring Performance
The Balance Scorecard connects to the business plan performance. It is monitored each year and the process is then repeated starting back at step #1 above.
8. Sub-strategies, Action Plans
The NSLC 5-year plans are then broken down by business unit which deliver or enable the customer experience.
7. Defining Objectives, Goals and Strategies
• Objectives – Summarizes the "big picture", what you want to accomplish.
• Goals – Break down the objectives into measurable parts.
• Strategies – Define how we are going to get there.
6. Targeting the Customer
• Defining and understanding the consumers to whom we direct our business concepts.
• Directing our focus to those customer segments that have specific needs and wants that will help us achieve our objectives.
• Targeting customer segments allows the organization to identify strategies and focus resources for profitable growth.

2. Solicit input and advice from industry partners and review industry and sector research and findings that provide insights into market and customer needs.
3. Identify future trends and implications.
4. Establish / Review the strategic direction - Purpose, Vision, Culture
• Provides clear and motivating reason for the organization's existence.
• Creates unanimity of purpose and a sense of shared values.
• Defines the organization's guiding principles.
• Anchor for the organization in the face of change.
• Guide employees through every undertaking and the decision making process.
5. Define/Review the Brand
• Maximizes profitability by connecting the Purpose, Vision, Culture of the company to the customer needs.
• Builds brand equity.
• Aligns the business unit's strategies to a common vision and goal.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Creating a Foundation

NSLC PURPOSE, VISION, CULTURE

Every organization needs to clearly understand its purpose for existing and its vision for delivering on that purpose. By clearly and effectively articulating an organization's purpose and vision each employee has an understanding of how they fit and what they can do to ensure the success of the organization. The NSLC Purpose, Vision and Culture statement is about more than its legislated responsibilities- it is about why we exist and how we will deliver our business.

The NSLC's new statement that guides the organization in all we do is:

PURPOSE

Bring a world of beverage enjoyment to Nova Scotia.

We aspire to this through our:

VISION

To be recognized as a superb retailer, known for our business performance, customer focus and vibrant shopping experience eliciting the pride and enthusiasm of Nova Scotians.

Living our Purpose and Vision entails a:

CULTURE

- **Encourages innovation and creativity**
- **Engages employees in achieving success**
- **Is driven by customer needs**
- **Demonstrates respect and dignity in all we do**
- **Is a fun place to work**
- **Advocates intelligent consumption**

Our Customer

The key to modern retailing is to understand and anticipate your customers' needs and design the retail shopping experience around them. An important part of the NSLC's focus over the next few years will be our efforts to improve the customer experience:

- Expanding our service network and retail channels
- Creating an improved shopping environment
- Developing a sales culture
- Focusing on customer education

To design and achieve this it is important to know who the NSLC customer is. Through extensive quantitative and qualitative research by the NSLC and its vendor partners, the NSLC is segmenting its customer base for the first time. Combining this with demographic projections the NSLC will better meet and exceed its customer expectations.

While all Nova Scotians have a stake in the success of the NSLC just over 70% of adult Nova Scotians consume beverage alcohol. As a result the NSLC customer base is slightly different than the population as a whole. Driving the NSLC customer segmentation is recognition that NSLC customers buy products based on how or why they intend to consume them. The customer base purchases products from the NSLC to meet one or more of six types of consuming occasions - our customer segments:

Holidays and special occasions

With groups of colleagues, friends or relatives

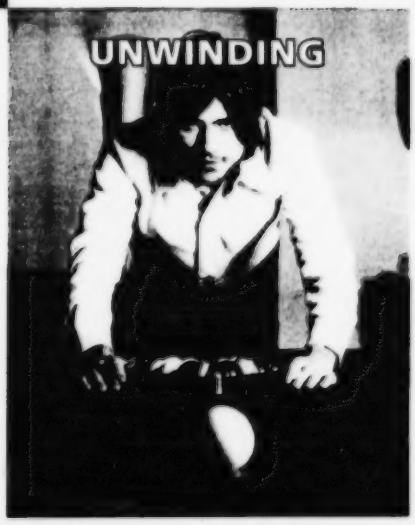
At home or after a meal

Week-ends

Before and during a meal

Alone, through the week and after work

LETTING LOOSE



Within each occasion segment the NSLC customer - our customer type - is purchasing for that occasion as an:

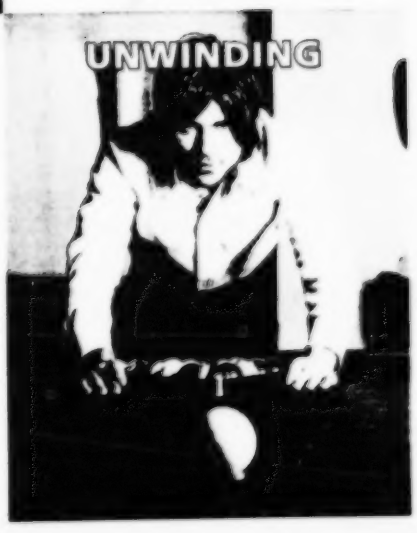
- **Adventurer:** Buys different products frequently across categories
- **Loyalist:** Buys the same product frequently
- **Discoverer:** Buys different products across categories and shops occasionally
- **Maintainer:** Buys the same product but only occasionally

Over the five years of this strategic plan NSLC product selection, promotional programs, marketing and communications efforts, supply chain management, business processes, store design and employee training will be geared towards addressing the most profitable way to serve these occasion segments and customer types.

SOCIALIZING
CELEBRATION
LETTING LOOSE

SIMPLE PLEASURES

SAVOURING


UNWINDING

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Customer Promise

As part of this effort the NSLC, like all retailers, is making a customer promise about where we are going with the type of customer experience we are going to create.

The NSLC will provide our customers with service that:

- Aligns product availability and selection with our customers needs.
- Is a vibrant, interactive and inviting Nova Scotia shopping experience.
- Ensures discovery and personal service with friendly and professional staff.

fab cocktails

Strategy and Structure

STRATEGIC DIRECTION

The NSLC with this plan is basing our transformation from "a place to buy something" into "a place to shop" around five strategic pillars. With each pillar we are setting specific and clear goals for the organization. To assist the organization in understanding how we are going to achieve these pillars and goals each goal has a number of strategies outlined that will guide the NSLC in delivering the plan.

To transform the NSLC from a place to buy beverage alcohol into a place to discover and shop, the NSLC's five strategic pillars are:

- STEWARDSHIP
  As a crown corporation the NSLC is legislated to deliver its business according to the Liquor Control Act. This pillar sets out how the NSLC will deliver on the responsibility entrusted to it by Nova Scotians.

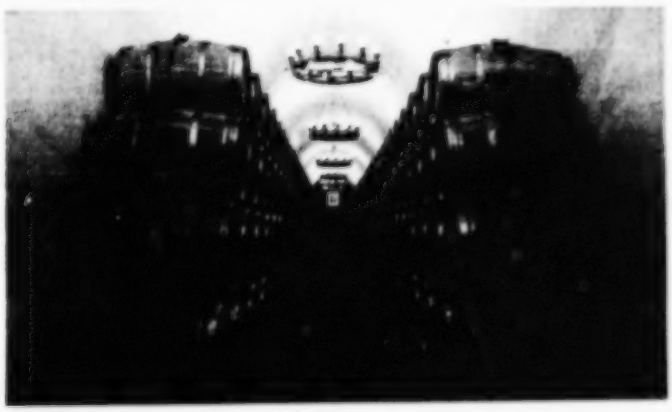
- CUSTOMER
  Outlines how the NSLC is going to deliver on its customer promise.

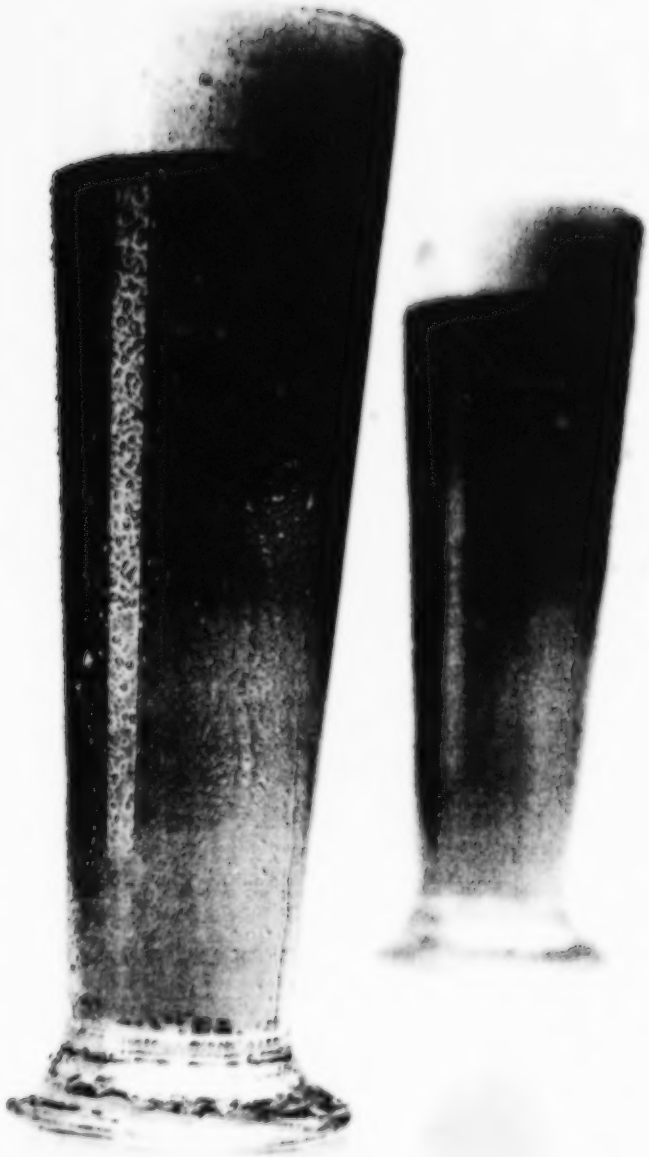
- REPUTATION
  Overall reputation impacts financial success. This pillar sets out the NSLC's commitment to enhance reputation and measure progress.

- PEOPLE
  Having the right people, working in an enjoyable and effective work environment drives success. This pillar sets out how, as a modern retail business, the NSLC will develop its people.

- FINANCIAL
  Sets out the organization's top and bottom line performance commitments.

What follows is a detailed commitment by the NSLC to drive the business by these pillars, goals and strategies over the next five years, delivering better customer service, in a vibrant shopping environment while increasing returns to the NSLC's shareholder.





5-Year Goals & Strategies:

STEWARDSHIP • CUSTOMER REPUTATION • PEOPLE • FINANCIAL

STEWARDSHIP

5-YEAR GOAL:

To provide Nova Scotians with the corporate stewardship entrusted to the NSLC under the Liquor Control Act (LCA)

STRATEGIES:

- Be a leader in crown corporation governance
- Continue to improve the NSLC's effectiveness in the promotion of intelligent consumption
- Optimize opportunities for Nova Scotia beverage alcohol producers to retail their products
- To provide the government with strategic public policy advice on both the regulatory aspects of the LCA and the economic development of Nova Scotia beverage alcohol producers

CUSTOMER

5-YEAR GOAL:

Match the customer experience with the customer promise

STRATEGIES:

- Develop a customer sales culture
- Align merchandising activities with customer needs
- Align marketing activities with customer segments
- Improve the physical shopping environment and locations
- To provide the government with strategic public policy advice on both the regulatory aspects of the LCA and the economic development of Nova Scotia beverage alcohol producer.
- Continued focus on improving the implementation of the NSLC's legislated responsibilities regarding social responsibility issues such as ID, drinking and driving, Fetal Alcohol Syndrome (FAS), binge drinking, water safety, etc.

REPUTATION

5-YEAR GOAL:

To be recognized as a leading retailer in Nova Scotia

STRATEGIES:

- Create a consistent retail shopping environment
- Effectively communicate relevant business performance measures to target audiences

PEOPLE

5-YEAR GOAL:
To have a highly motivated and engaged workforce

STRATEGIES:
- Clearly define roles, responsibilities and performance expectations
- Recognize and reward staff for meeting and exceeding performance expectations
- Encourage and value ideas that improve the customer experience
- Ensure employees take ownership of the NSLC's responsibilities to prevent the sale of products to minors

5-YEAR GOAL:
To develop our workforce including our leaders to meet the evolving needs of the corporation

STRATEGIES:
- Support a culture of continuous learning: Where we identify and provide effective learning and development opportunities aligned with the needs of the organization
- Where people ask for and take advantage of training
- Enhance effective teamwork and professional development through cross-functional teams and work assignments
- Attain skills that will allow us to deliver on our strategic plan

5-YEAR GOAL:
To have a highly productive workforce

STRATEGIES:
- Ensure that every NSLC job is aligned to support the NSLC business strategy and customer promise
- Leverage training, technology and business processes

FINANCIAL

5-YEAR GOAL:
To reach a 4.1% average annual growth rate over the next 5 years

STRATEGIES:

Implement category management plans to:

- Increase our focus on selling mainstream brands of beer and spirits
- Grow sales of premium brands for beer, wine and spirits
- Grow wine volumes to approach national consumption rates
- Execute clearly defined annual pricing strategies

5-YEAR GOAL:
To contribute $215 million to the Province by 2010

STRATEGIES:

- Successfully implement business best practices supported by an ERP system
- Improve gross margin

5-YEAR GOAL:
To effectively use our capital

STRATEGIES:

- Optimize store network
- Optimize inventory

Strategic Enablers

- Implement process to identify new ideas on an ongoing basis
    - On an annual basis as part of the business planning process, the executive will step back and look at best practices from other areas to challenge whether they should be doing different things or doing things differently.
    - Each division is able to see the organization from a different perspective and each contributes to the whole. Looking forward with an eye to future trends and opportunities with a multi-year business plan that will contribute to the organization's ongoing success.
- Implement Integrated Performance Management
    - NSLC has begun to implement an integrated performance management model, as shown below, to translate the organization's strategy into action.
    - Continued effort is necessary to make the necessary linkages.

- Develop and implement a Risk Management Framework

    - In these days of heightened scrutiny and focus on risk, it is prudent for the NSLC to put in place a process to identify and manage risks.

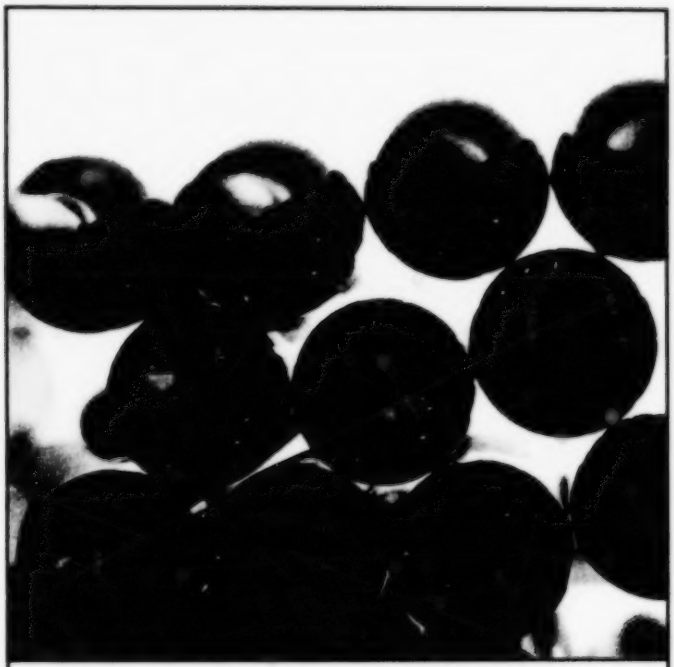
- Focus on Communications

    - Given the magnitude of change in all areas of the NSLC, a continued focus on communications – both internal and external – will be critical to ongoing success.

MONITORING PROGRESS

How will we know if the NSLC is tracking toward achievement of our 5-year goals? By identifying performance measures for each goal, and monitoring progress on a regular basis. The table below summarizes the key performance measures for this 5-year strategic plan. These measures link to the balanced scorecard being developed by the NSLC. The NSLC executive will track progress on a monthly basis and updates will be provided to the Board on a quarterly basis.

PILLARS	5-YEAR GOALS	PERFORMANCE MEASURES
STEWARDSHIP	1. To provide Nova Scotians with the corporate stewardship entrusted to the NSLC under the Liquor Control Act	• Rating by select stakeholders who perceive NSLC as well governed • % of Nova Scotians who perceive NSLC as effective promoter of intelligent consumption
CUSTOMER	2. To match the customer experience with the customer promise	• Customer satisfaction/ experience index
REPUTATION	3. To be recognized as a leading retailer in Nova Scotia	• Ranking of NSLC among NS retailers
PEOPLE	4. To have a highly motivated and engaged workforce	• Employee commitment index
	5. To develop our workforce including our leaders to meet the evolving needs of the corporation	• The gap between current workforce competencies and those required to deliver this plan
	6. To have a highly productive work-force	• Sales per employee
FINANCIAL	7. To reach a 4.1% average annual growth rate over the next 5 years	• % revenue growth
	8. To contribute $215 million to the Province by 2010	• Net income • Gross margin %
	9. To effectively use our capital	• Return on Investment (ROI)



Purpose

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We aspire to this through our:

Vision

To be recognized as a superb retailer, known for our business performance, customer focus and vibrant shopping experience eliciting the pride and enthusiasm of Nova Scotians.

Living our Purpose and Vision entails a:

Culture

- Encourages innovation and creativity
- Engages employees in achieving success
- Is driven by customer needs
- Demonstrates respect and dignity in all we do
- Is a fun place to work
- Advocates intelligent consumption

SUMMARY OF NSLC'S 5-YEAR GOALS AND STRATEGIES

PILLAR	5-YEAR GOALS	STRATEGIES
STEWARDSHIP	1. To provide Nova Scotians with the corporate stewardship entrusted to the NSLC under the Liquor Control Act	1.1 To be a leader in crown corporation governance 1.2 To continue to improve the NSLC effectiveness in the promotion of intelligent consumption 1.3 To optimize opportunities for Nova Scotia beverage alcohol producers to retail their products
CUSTOMER	2. To match the customer experience with the customer promise	2.1 Develop a customer sales culture 2.2 Align merchandising activities with customer needs 2.3 Align marketing activities with customer segments 2.4 Improve the physical shopping environment and locations 2.5 To provide the government with strategic public policy advice on both the regulatory aspects of the LCA and the economic development of Nova Scotia beverage alcohol producer 2.6 Continued focus on improving the implementation of the NSLC's legislated responsibilities regarding social responsibility issues such as ID, drinking and driving, FAS, binge drinking, water safety, etc.
REPUTATION	3. To be recognized as a leading retailer in Nova Scotia	3.1 To create a consistent retail shopping environment 3.2 To effectively communicate relevant business performance measures to target audiences
PEOPLE	4. To have a highly motivated and engaged workforce	4.1 To clearly define roles, responsibilities and performance expectations 4.2 To recognize and reward staff for meeting and exceeding performance expectations 4.3 To encourage and value ideas that improve the customer experience 4.4 Ensure employees take ownership of the NSLC's responsibilities to prevent the sale of products to minors
	5. To develop our workforce including our leaders to meet the evolving needs of the corporation	5.1 To support a culture of continuous learning: • Where we identify and provide effective learning and development opportunities aligned with the needs of the organization • Where people ask for and take advantage of training 5.2 To enhance effective teamwork and professional development through cross-functional teams and work assignments 5.3 To attain skills that will allow us to deliver on our strategic plan
	6. To have a highly productive workforce	6.1 To ensure that every NSLC job is aligned to support the NSLC customer promise 6.2 To leverage training, technology and business processes
FINANCIAL	7. To reach a 4.1% average annual growth rate over the next five years.	7.1 Implement category management plans to: • Increase our focus on selling mainstream brands of beer and spirits • Grow sales of premium brands for beer, wine and spirits • Grow wine volumes to approach national consumption rates 7.2 Execute clearly defined annual pricing strategies
	8. To contribute $215 million to the Province by 2010	8.1 Successfully implement business best practices supported by an ERP 8.2 Improve gross margin
	9. To effectively use our capital	9.1 Optimize store network 9.2 Optimize inventory